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RUEHMT/AMCONSUL MONTREAL 0386
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C O N F I D E N T I A L SECTION 01 OF 02 PORT AU PRINCE 000320

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E.O. 12958: DECL: 03/23/2019

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SUBJECT: HAITI: U.S. UN PERMREP AMBASSADOR RICE'S MEETING
WITH PRESIDENT PREVAL

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Classified By: Ambassador Janet A. Sanderson. Reason: E.O. 12958 1.4
(b), (d)

11. (C) Summary: President Preval emphasized to visiting U.S. Permanent Representative to the UN, Ambassador Susan Rice his government's commitment to reform. Reduced tax revenues caused by last year's storm damage had forced Haiti to cut its budget, but it was still left with a large gap that Haiti needed international help to close. The President reiterated his commitment to amending the constitution, although significant changes were not possible in the near term. Preval underscored Haiti's vulnerability to drug traffickers, and declared that the U.S. does not take Haiti's drug problem seriously. Ambassador Rice said that the new Administration wanted to be a sustained partner in Haiti's development. While direct budget support would probably not be possible in the near future, the Administration was looking at new ways to assist Haiti. End summary.

12. (C) U.S. Permanent Representative to the UN Ambassador Susan Rice called on President Preval March 13 during her visit to Haiti as part of the Security Council delegation visit March 11-14. She was accompanied by Ambassador Sanderson and PolCouns (notetaker). President Preval attended the meeting alone. Ambassador Rice emphasized the new Administration's strong support for Haiti and for MINUSTAH. The U.S. wanted to be a sustained partner in Haiti's development, and to find ways to enhance our counternarcotics cooperation. The Security Council delegation's meeting with the President earlier the same day had shown there is a strong international commitment to Haiti. She asked in what specific ways the U.S. could best help Haiti.

13. (C) The President replied with an overview of Haiti's current situation. Former President Aristide had been a divisive leader who had politicized public enterprises by filling their ranks with political supporters. Preval said that during his own first term as President (1995-2000), he had tried to "purge" public entities of the bloated work force hired under Aristide, such as the electricity company, the port, the airport and the police. Aristide had then undone this work during his second term starting in 2000. Haiti needed an "open state" but it would take time to

achieve this. Preval said that his current reform efforts demanded unpopular decisions, such as firing redundant workers in public enterprises. Yet even after doing this, Haiti's electricity company still lost USD 100 million per year. It was not possible to privatize this company. Despite these economic tensions, Haiti enjoyed political peace. There were no deep ideological divisions among Haiti's myriad political parties. The private sector was amenable to working with the government to create a civil atmosphere.

14. (C) The President then made a plea for direct budget support, and for passing more foreign assistance through the Government of Haiti's budget. At the April donors conference in Washington, Haiti would present a number of projects that needed donor support, including five major stretches of road and the reclamation of three major agricultural plains. The country also needed to boost its electrical generating capacity from the current 60-70 MW level to 120 MW. Preval said he wanted to privatize the ports, the telephone company, and perhaps the airport. Haiti needed this help so that the government could show the people it could bring them out of their misery. Haitians' poverty guaranteed a hearing for 'populists' who would move the country backward. Saying he was not asking 'for the moon,' Preval said that the Haitian people needed hope. He professed surprise that there was not more violence in Haiti, given the misery level. The majority of Haitians would be satisfied with one meal a day.

15. (C) Preval noted that Haiti's stability was threatened by a constitution that was too 'complicated.' The President had the power to appoint the Prime Minister but could not fire him/her. He joked that his only power was to appoint ambassadors. People accused him, wrongly, of wanting a

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constitution akin to that of Venezuela under Hugo Chavez, or to that of Ecuador. The President conceded that Haiti could not make 'significant' constitutional changes in the near term. This would take years.

16. (C) Turning to drugs, Preval said that traffickers chose Haiti as a transit country because it was a weak state. They wanted to keep it that way. A known drug trafficker (Note, Guy Philippe. End note) had tried to run for the Senate. Traffickers tried to use parliamentarians in their business. Police collaborators of the traffickers arranged for landings of drug planes. Certain senators then loaded these drug cargos into their official vehicles, which enjoyed legal immunity. The big drug money was made in Colombia, Venezuela and the U.S., but the smaller payoffs made in Haiti -- Preval mentioned a figure of USD 500,000 -- were a lot of money in this country. Consumption in Haiti was still low, but many Haitian drug runners were paid in kind, usually cocaine, and then tried to sell these drugs in schools. Preval declared that the U.S. has yet to take Haiti's drug problem seriously.

17. (C) Ambassador Rice asked how the budget gap had arisen and what would happen if it were not filled. She also inquired whether Haiti would approach the upcoming donors conference with a shorter or longer-term focus. The President replied that the budget gap had arisen due to the imperative of complying with the IMF's three-year macroeconomic stability package. The GOH had agreed with the IMF on this year's budget expenditures, but the summer hurricanes had reduced tax revenues, and oil and food subsidies had increased GOH expenditures. The summer hurricanes had caused damage equal to 15 percent of Haiti's GDP, or nearly USD 1 billion. Under IMF instructions, Haiti had cut USD 100 million from the budget, including funds intended to modernize Haiti's electricity company. But Haiti faced continuing development imperatives. It had to relaunch agriculture, pay the salaries of teachers and the increasing numbers of policemen, and pave roads. The budget could not be cut further. (Note: Preval did not mention anticipated

revenues from a tax on international cell phone calls, which the government then removed in response to industry objections, but has since reinstated in a less onerous form. End note). Preval said that filling the budget gap would help it reach the HIPC (Highly Indebted Poor Countries) completion point, which would relieve the country of USD 80 million per year in debt service. (Note: Haiti has actually been spending no more than USD 5 million per month in debt servicing, or USD 60 M per year, and even this has been reduced in FY 09. End note)

18. (C) Ambassador Rice told the President that the USG is reluctant to engage in direct budget support for non-MCC countries. Any change in this policy would take time for the new Administration to work through, time which we did not have in the case of Haiti. President Preval complained of insufficient coordination among donors. NGO's were independent of and suspicious of the government. Ambassador Sanderson explained that "sectoral tables" including MINUSTAH and the major donors coordinated donor activity, but that sectoral coordination was better than at the overall political level. Coordinating hurricane relief had been difficult. The President pointed out that donors and IFIs -- including USAID, the EU, the IDB, and the World Bank -- each had their own rules. The President and Prime Minister had no time for strategy: ministries were so poorly staffed that the President and PM had to work on individual files themselves. Ambassador Rice referred to a USD 18 million project to prevent the La Quinte river from overflowing, which had burst its banks and caused devastating flooding in Gonaives during the previous summer's tropical storms. Preval said that MINUSTAH was beginning a project on March 16 to dredge the river, but that this was ''not a serious effort.'' Preventing that river from flooding and improving the watershed above would require a seven-year project.

19. (SBU) Ambassador Rice cleared this message.
SANDERSON